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CENTRAL INTELLIGENCE AGENCY
23 October 1973

INTELLIGENCE MEMORANDUM

MIDDLE EAST

Situation Report Number 72
(As of 1630 EDT)

GENERAL

1. Fighting on the Egyptian front is concentrated in the southern sector from Ismailia to Suez as Israeli forces attempt to anchor their enclave on the gulf. The northern sector from Ismailia to Port Said appears quiet. Action on the Syrian front is limited to the Mount Hermon area where Syrian artillery is reported to be shelling positions lost to the Israelis yesterday.

2. The most intense fighting on the Egyptian front is near Suez where Egyptian forces are attempting to retain an area north of the city through which their forces on the east bank can be supplied or evacuated. Egyptian armor units also are reported to be attempting to reopen the Cairo-Suez road. The Israeli objective is to reach the Gulf of Suez in order to isolate the Egyptian units on the east bank. Israeli air activity in support of the ground action continues at a high level.

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THE MILITARY SITUATION

EGYPTIAN FRONT

3. Air and ground action continue to be heavy from Ismailia south to Suez, but the northern sector

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DIA AND STATE REVIEW
(s) COMPLETED

[REDACTED]

appears to be quiet. [REDACTED]

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[REDACTED], fighting in the southern sector is concentrated near Suez where Egyptian and Israeli forces are clashing over control of a corridor from the west bank leading to Cairo. [REDACTED]

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fighting also is taking place within the Israeli enclave, presumably with Egyptian units which have been bypassed. [REDACTED]

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4. Israeli forces are attempting to anchor their enclave by advancing to the Gulf of Suez. Egyptian forces are attempting to repel an Israeli force attacking south from Shallufa toward Suez. Egyptian armored units also are trying to reopen the Cairo-Suez road. The Egyptian objective appears to be retention of at least a small bridgehead north of Suez through which their armor and infantry units on the east bank can be supplied or evacuated.

5. This morning Egyptian aircraft attacked the three bridges in the southern sector captured by the Israeli yesterday. Five of the attacking aircraft were downed, but the status of the bridges is unknown.

6. Intensive Israeli air attacks against Egyptian forces in the southern sector were observed this afternoon. In an unusual response, Egyptian fighters attacked Israeli aircraft in the Suez area. This action underlines the significance of Suez to Cairo and the absence of Egyptian SAM defenses in the area. Egyptian MIG-21s also attacked Israeli positions near Ismailia today. Israeli air strikes still far outnumber Egyptian sorties, however. As many as 30 Israeli aircraft were seen active at one time between Deversoir and Suez this afternoon. Israeli aircraft have been noted today using two airfields on the west bank within the Israeli enclave.

7. An Israeli spokesman says that North Korean and Libyan pilots have been noted flying in Egypt, but the Libyans have not yet been engaged by the Israelis. Both the Libyans and Egyptians are reportedly flying Mirages.

[REDACTED]

8. The Suez naval base was under attack by Israeli aircraft throughout the early afternoon.

[REDACTED]

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SYRIAN FRONT

9. Sparse reporting from the Syrian front indicates today's fighting is limited to the Mount Hermon area. The Syrians began an artillery barrage on Israeli positions on the mountain this afternoon and Israeli air-strikes over the area continue. According to an Israeli military spokesman, the Israelis are attempting to neutralize the Syrian artillery, which he said caused no losses.

[REDACTED]

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12. An Israeli military spokesman reports that a second Saudi force consisting of a paratroop battalion and an infantry battalion is moving toward Dara from northern Jordan.

[REDACTED]

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SOVIET POLITICAL DEVELOPMENTS

14. The first authoritative Soviet statement on the cease-fire breakdown placed all the blame on Tel Aviv for violating the UN peace resolution and threatened Israel with "the gravest consequences" if it continues its "aggression." The government statement employs menacing language but does not commit Moscow to any specific action. The statement insisted that Israel withdraw its troops to the cease-fire positions established on 22 October; press reports indicate that Soviet diplomats at the UN are working towards the same goal.

15. Libya's President Qadhafi also came under fire in the Soviet media today. A TASS report accused Qadhafi of "sitting back in safety" while other Arab nations, with Soviet support, carry on the war. The Soviets were especially incensed over an interview Qadhafi gave Le Monde in which the Libyan leader ridiculed the cease-fire plan and labeled the Soviets as the enemy of the Arab people.

ISRAEL

16. In a speech to the Knesset today, Prime Minister Meir stressed the flexibility that Israel enjoys as a result of its current military position and emphasized the necessity for direct negotiations between Israel and the Arabs, adding that there would be "no Israeli withdrawal until a binding peace settlement." She assured the Israelis that Tel Aviv was closely watching the behavior of Egypt, and that Israeli forces on the west bank of the Suez Canal constitute a powerful

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base from which to launch future operations if they become necessary. She said that the Israeli presence across the canal deprived Egypt of the possibility of launching a new war and provided Israel with new options, "both defensive and offensive."

17. Meir stressed, as Tel Aviv always has, the importance of direct negotiations between Israel and its Arab opponents and the absence of any US plan to impose a settlement. Implying that she was drawing on her talks with Secretary Kissinger, she interpreted the US position on the cease-fire resolution to mean that direct talks between the warring parties must accompany the cease-fire. The cease-fire, she said, might therefore become an "historical turning point in the region's history--one that could lead from bloodshed to peace."

18. One sign of a hardening Israeli position regarding retention of key strategic areas in the occupied Arab territories was the announcement in Jerusalem on 23 October by the World Zionist Organization's settlement department that within one week it will complete a plan to double "Jewish settlement" in the Golan Heights. This would be done by doubling the number of residents in existing settlements (there are 19 settlements and about 1,000 Israeli settlers there now) and by the establishment of new settlements.

SYRIA

19. Government and party councils today continued their almost non-stop discussions of the Security Council cease-fire resolution "in light of the contacts held yesterday with Egypt, with other Arab kings and presidents, and with the Soviet Union," according to a Damascus broadcast.

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UNITED NATIONS

23. The Security Council will meet this evening to receive a second US-Soviet draft resolution. The resolution

-- reaffirms Monday's cease-fire call and urges both sides to return to the positions they occupied at the time the cease-fire became effective.

-- requests the Secretary-General dispatch UN observers to the Egyptian front.

24. Originally called by Egypt to protest Israeli violations, the meeting was postponed to permit consultations on this draft. Although it does not address the problem of defining a truce line on the Suez west bank, it will be the first Council action addressed to policing the cease-fire. Observers who have remained on the Syrian front through the war will presumably continue reporting without additional instructions. Arab states which have not accepted Monday's cease-fire resolution may object to this draft. Assuming their opposition does not go beyond rhetoric, prospects for approval are good.

LEBANON

25. Foreign Minister Naffa today communicated to the ambassadors of the permanent member states of the UN security Council Lebanon's feelings on the cease-fire resolution. Lebanon considers that this week's Resolution 338, like Resolution 242 of 1967, does not pertain directly to Lebanon, as the latter was not involved in hostilities and has no territorial dispute with Israel. Accordingly, Lebanon neither formally accepts nor formally rejects the resolution. Nonetheless, Beirut expects that future negotiations will raise problems which deal directly or indirectly with Lebanon, and therefore "reserves its rights to participate actively in the study and the settlement of those problems."

26. The Lebanese are particularly worried that Resolution 338 is "silent" on the issue of Palestinian refugees, some 300 thousand of whom are now in Lebanon. Beirut insists that the so-called refugee problem is really a political and national problem that must be solved before the "just and lasting peace" envisaged in Resolution 338 can be attained. The Lebanese Government "most particularly emphasizes" the need to give priority to this problem in the course of any future negotiations.

SAUDI ARABIA-ABU DHABI

27. According to a sensitive State Department cable, US Embassy sources in Jidda believe that King Faysal's decisions to cut oil production and embargo shipments to the US are only the initial actions which the King has in mind, should there not be a post-cease-fire implementation and enforcement of the terms of Security Council Resolution 242. The nationalization of ARAMCO is probably high on the list of moves which Saudi Arabia is considering, according to the source. Other measures could conceivably include the withdrawal of Saudi funds from the US and the severance of diplomatic and economic relations with the US. It has also been learned that the embargo of Saudi oil shipments to the US is to constitute an additional reduction--above the 10 percent ordered by Faysal--in Saudi oil production. The Saudis are also taking practical steps to stop the flow of Saudi oil to the US from all possible shipment points.

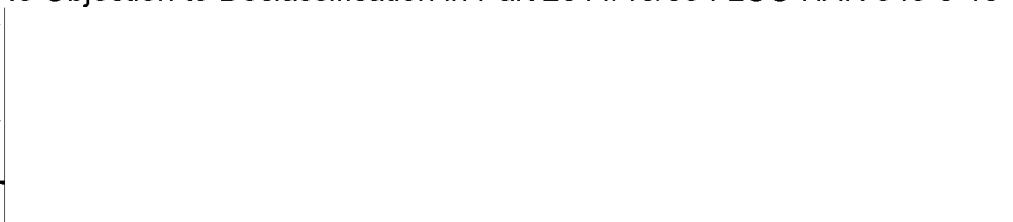
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ARAB FINANCIAL ACTIVITY

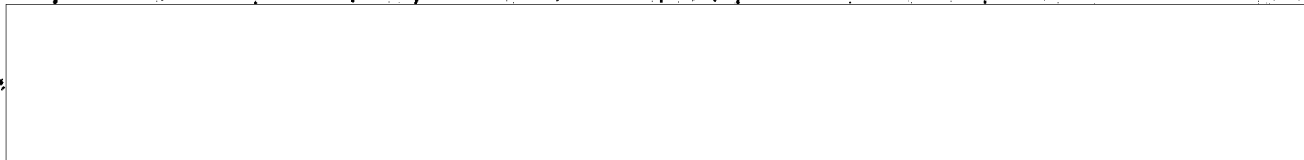
29. Saudi Arabia has increased its rate of converting dollars to other currencies since the outbreak of the Middle East war, but these conversions represent only a very small part of Saudi dollar holdings.

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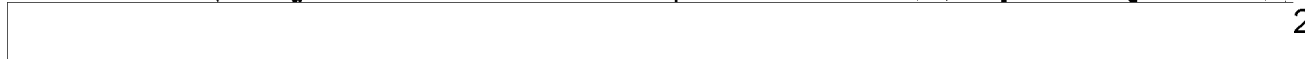


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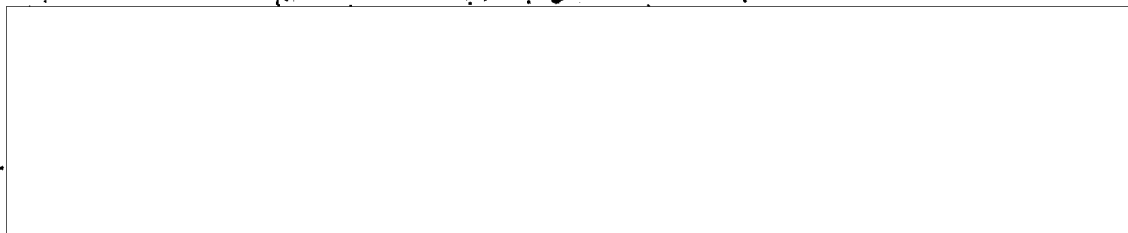
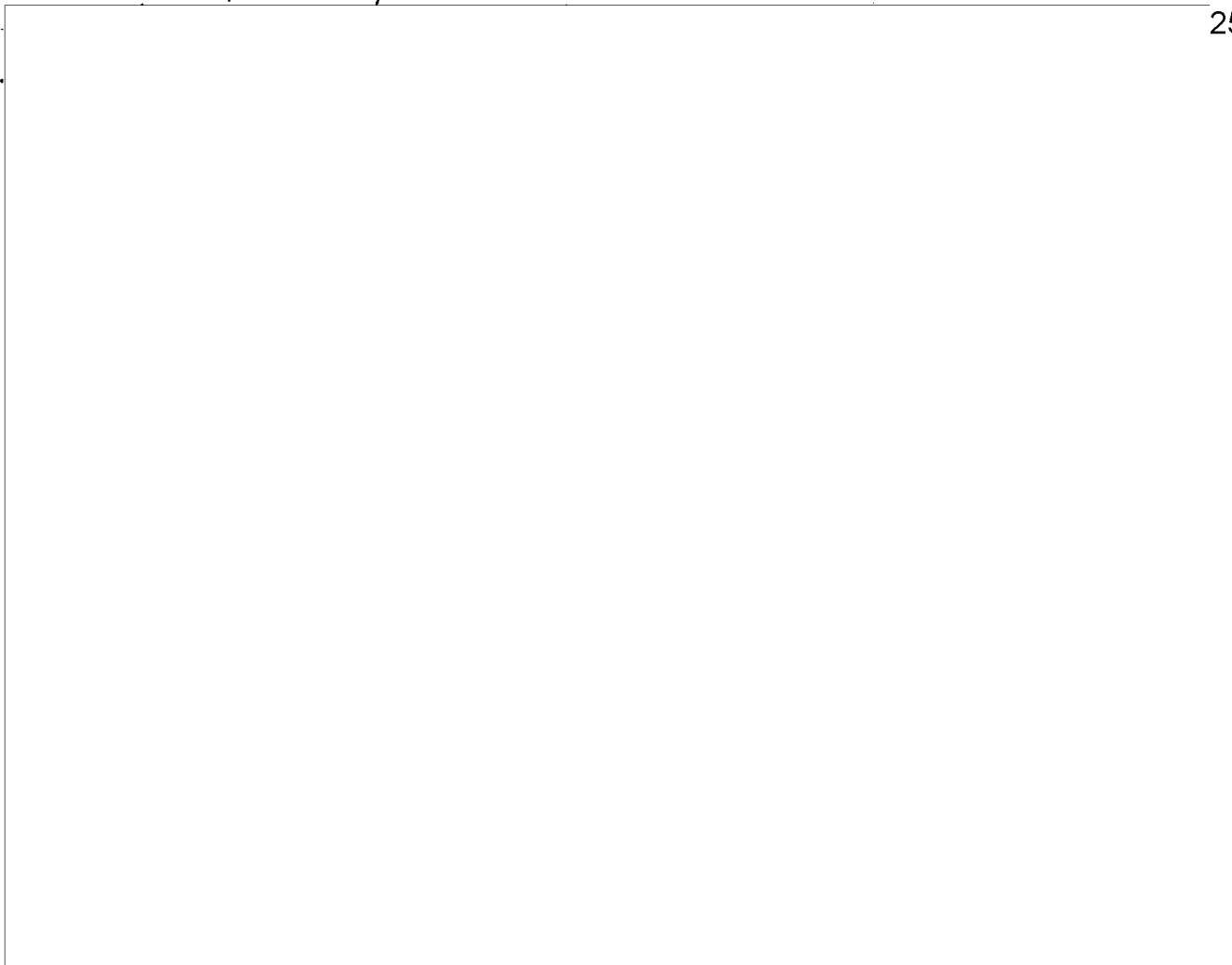
30. The Kuwaiti Government publicly denies that it is selling dollars because of the current hostilities,

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Kuwaiti money managers probably are attempting to prevent a recurrence of the considerable losses Kuwait incurred during the currency upheavals early this year.

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36. The two Soviet naval reconnaissance aircraft that flew to Conakry, Guinea, on 8 October have made two flights over major US naval ships to date. On 17 October, they flew to the vicinity of the USS J.F. Kennedy west of Portugal, and on 21 October they flew over the USS Iwo Jima near the Azores, as it was steaming toward Gibraltar. The two long range reconnaissance aircraft--TU-95 Ds--and their three support aircraft are still in Conakry.

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